(a) whether it is a fact the claim of interest worth Rs. 28, 20, 500/- on SLR deposits of Himachal Grameen Bank with Punjab National Bank, Mandi Branch (Himachal Pradesh) pointed out by authorized Chartered Accountant/Auditor has been dropped by the Board of Directors of the Bank;

(b) if so, the reasons therefor;

(c) whether the action of the Board of Himachal Grameen Bank having three senior officers of Punjab National Bank was taken under influence; and

(d) if so, the action taken by Reserve Bank of India and Government to safeguard the interest of the Himachal Grameen Bank?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) Yes Sir.

(b) Punjab National Bank (PNB), the sponsor bank of Himachal Grameen Bank (HGB) Mandi, has reported that after due consideration, the Board of Directors of HGB dropped the matter on merits. The claim for interest was made by HGB after bifurcation of the deposit account into SLR and non SLR deposit *w.e.f.* 16.1.94 and HGB was not entitled to claim interest prior to the date of bifurcation of the account *i.e.* 16.1.94

(c) and (d) The decision of the HGB board was unanimous wherein the nominee directors from RBI and NABARD also participated in the meeting held on 24.8.99 in which the matter was dropped.

Rate of interest on GPF contribution

2836. SHRI NANA DESHMUKH: Will the Minister of FINANCE be pleased to state:

(a) what is the rate of interest of GPF contribution for the last three financial years;

(b) whether the rate of interest on both the EPF and GPF subscriptions has been the same since inception;

(c) whether the previous Government had created two different rates of

†Original notice of the question was received in Hindi

interest on EPF and GPF for the employees;

(d) what steps are being taken by his Ministry to ractify the situation and bring the rate of interest on GPF and EPF at par for the last three financial years and maintain a single policy on this score; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) The rate of interest on GPF accumulations for the years 2002-03, 2003-04 and 2004-05 was fixed at 9 per cent, 8 per cent and 8 per cent respectively.

(b) and (c) The rates of interest on GPF and EPF accumulations have by and large been pegged at the same level. However, the rates of interest on EPF accumulations since 2002-03 have not been formally notified.

(d) and (e) Expert Committees have recommended that administered interest rates should be benchmarked to market rates of interest. However, the implementation of the recommendation needs to take into account the differences in the nature of funds.

Merger of banks

†2837. SHRI LALIT KISHORE CHATURVEDI: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the banks in the public sector are being merged to transform them into a bigger size;

(b) if so, what will be the consequences thereof; and

(c) what will be the role of Foreign Direct Investment in this regard?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) and (b) Government has indicated that it would consider specific proposals from nationalised banks as emanating from the management of the banks themselves with Government playing a supportive role as the common shareholder. This consolidation would allow economies of scale in terms of footprint, manpower and other resources. Having Indian Banks of a larger size would also enable them to face

†Original notice of the question was received in Hindi